

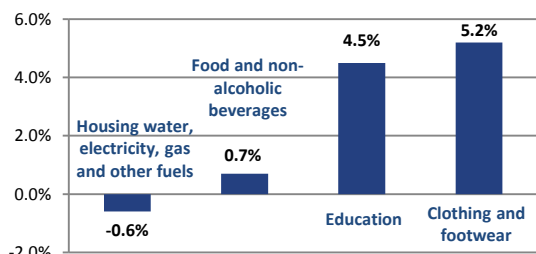
LEBANON INFLATION WATCH: October 2014

LEBANON'S CONSUMER PRICE INDEX (CPI) up 0.2% MoM in October 2014:

Lebanon's Consumer Price Index increased 0.2% MoM from 100.8 in September 2014 to 101.0 in October 2014 (according to newly revised version from CAS). CPI measures the price of goods in an economy by tracking the cost of a basket of goods over time and is used as a proxy for inflation.

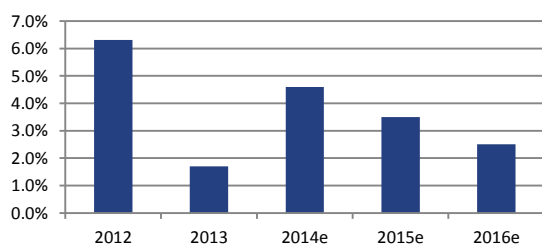
The biggest drivers MoM were clothing and footwear which increased 5.2%, education which increased 4.5%, food and non-alcoholic beverages which increased 0.7%, and housing water, electricity, gas and other fuels which decreased -0.6%. The cost of clothing and footwear was the major driver of the index, as it represents 5.4% of the index's weight and changed more over the September-October period than any other component. Other components of the index also changed like recreation, amusement and culture up 0.3%, furnishings, household equipment and routine household maintenance up 0.1%, restaurant & hotels up 0.1%, miscellaneous goods & services up 0.1%, health down -0.1%, communication down -0.1%, and transportation down -0.9%. Alcoholic beverages, tobacco remained unchanged.

CPI Main Drivers MoM: October 2014



Source: CAS

Annual Inflation: 2012a-2016e



Source: IMF

According to the IMF, inflation in Lebanon was 6.3% for 2012 and 1.7% for 2013, and is estimated at 4.6% for 2014, 3.5% for 2015 and 2.5% for 2016, (using end of period prices).

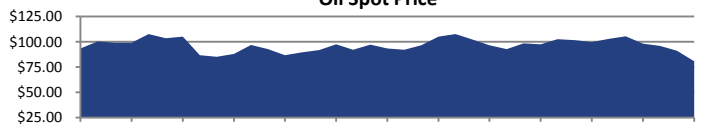
MONEY SUPPLY IN LEBANON

M3 edged up 0.4% MoM at 174,969 billion Lebanese pounds (USD 116.1 billion) in September 2014 and was up 7.0% YoY from 163,553 billion Lebanese pounds (USD 108.5 billion) in September 2013. M3, a benchmark for broad money, is the sum of currency in circulation, sight and time deposits in Lebanese pounds and deposits in foreign currencies and other financial liabilities.

INTERNATIONAL FACTORS TO WATCH

OIL SPOT PRICE

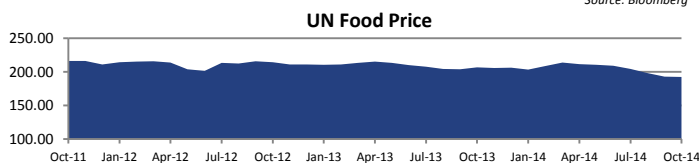
WTI Cushing spot price decreased -11.6% MoM to \$80.54 per barrel. YoY, it decreased -16.4%. The WTI spot price measures the price of West Texas Intermediate oil on world markets. Brent spot price decreased -9.3% MoM and -21.1% YoY to \$85.86 per barrel. Oil continued to see a steep decline in October on account of fears including a slowing global economy, increased oil production, refinery turnarounds, less favorable positioning by financial players, and uncertainty in outcome regarding the November OPEC meeting.



Source: Bloomberg

UN FOOD PRICE

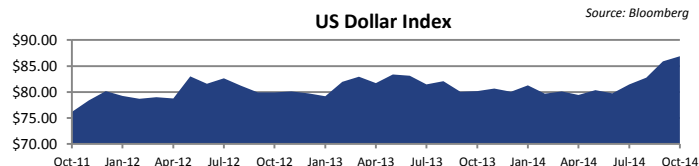
UN Food Price Index was down -0.2% MoM to 192.30 and -6.9% YoY. The UN Food Price Index measures the prices of global food staples. Falling food prices underpinned by stronger crop forecasts, abundant inventories and uncertain global economic prospects.



Source: Bloomberg

US DOLLAR INDEX

US Dollar Index was up 1.1% MoM to \$86.9 and 8.4% YoY. The US Dollar Index measures the value of the US Dollar against a basket of the world's most widely held currencies. The stronger dollar has been supported by stronger US macro data, tighter relative monetary policy, and expectations of higher rates.



Source: Bloomberg

Lebanon December 2013 =100	Monthly Change	October 2014 Index	September 2014 Index	Weights
Food and non-alcoholic beverages	0.7%	101.4	100.7	20.6
Alcoholic beverages, tobacco	0.0%	106.0	105.9	1.6
Clothing and footwear	5.2%	120.2	114.3	5.4
Housing water, electricity, gas and other fuels	-0.6%	102.2	102.8	28.5
Furnishings, household equipment and routine household maintenance	0.1%	101.5	101.4	3.7
Health	-0.1%	101.2	101.2	7.8
Transportation	-0.9%	98.8	99.7	13.1
Communication	-0.1%	76.2	76.3	4.6
Recreation, amusement, and culture	0.3%	102.0	101.6	2.3
Education	4.5%	104.6	100.1	5.9
Restaurant & hotels	0.1%	102.6	102.5	2.6
Miscellaneous goods & services	0.1%	101.6	101.5	4.0
Consumer Price Index	0.2%	101.0	100.8	100.0

Source: CAS

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